

O 061115Z MAY 09  
FM AMEMBASSY KATHMANDU  
TO SECSTATE WASHDC IMMEDIATE 0138  
INFO AMEMBASSY BEIJING PRIORITY  
AMEMBASSY COLOMBO PRIORITY  
AMEMBASSY DHAKA PRIORITY  
AMEMBASSY ISLAMABAD PRIORITY  
AMEMBASSY LONDON PRIORITY  
AMEMBASSY NEW DELHI PRIORITY  
USMISSION GENEVA PRIORITY  
USMISSION USUN NEW YORK PRIORITY  
SECDEF WASHDC PRIORITY  
CIA WASHDC PRIORITY  
NSC WASHDC PRIORITY  
DIA WASHDC PRIORITY  
CDR USPACOM HONOLULU HI PRIORITY

C O N F I D E N T I A L KATHMANDU 000377

DEPT FOR SCA/FO, SCA/INSB

E.O. 12958: DECL: 05/06/2019

TAGS: [PGOV](#) [KDEM](#) [PREL](#) [NP](#)

SUBJECT: MEETINGS WITH PM DAHAL AND UML LEADER KHANAL:  
CURRENT IMPASSE FAR FROM OVER

REF: A. KATHMANDU 376

[B.](#) KATHMANDU 366

[C.](#) KATHMANDU 365

[D.](#) KATHMANDU 364

[E.](#) AND PREVIOUS

Classified By: AMBASSADOR NANCY J. POWELL FOR REASONS 1.4 (B/D)

[1.](#) (C) Summary. Ambassador joined like-minded heads of mission in separate meetings with Prime Minister Dahal and UML leader Jhalanath Khanal. Dahal was especially emphatic in his defense of civilian supremacy and the need to have the principle fully recognized in Nepal. He called the President,s action in reinstating COAS Katawal a &surprise8 and &sad, unfortunate8. He hoped his resignation would lead to formation of a national unity government, but then listed a series of conditions which will make it difficult to achieve, including Maoist leadership as the largest party and reversal of the President,s actions concerning General Katawal. He rejected calls by several of the participants not to hold urgent governance and peace issues hostage to resolution of issues surrounding the President,s actions. The PM said orders issued by local Maoist officers in several places directing other parties to close their offices and leave were not party policy. UML leader Jhalanath Khanal shared Dahal,s view that the resignation had created a new situation in Nepal. He said all parties recognize the need for a government of national unity, which includes at least the four major parties. Khanal described the Maoists as very upset by the President,s actions and noted that the UML had reservations, adding that the &President had traveled the extra mile8. He said this issue appeared to be the most serious one for the Maoists. The UML is ready to assume leadership of a national unity government, but would not insist on it. Ambassador delivered letters to Dahal and Khanal from Assistant Secretary Boucher at the conclusion of each meeting.

[2.](#) (C) Ambassador joined like-minded heads of mission from Finland (local EU chairman), UK, Germany, Denmark, Netherlands, EU and France in separate meetings with Prime Minister Dahal and UML leader Jhalanath Khanal. Dahal was accompanied by Finance Minister Bhattarai and Foreign Policy Advisor Thapa; Khanal was unaccompanied.

[3.](#) (C) Dahal was composed and articulate, speaking without notes in making his case that the Maoists were the most democratic of the parties given their support for the elections, republic, and now civilian supremacy over the military. He characterized his resignation as proof of the

party,s democratic credentials. He was especially emphatic in his defense of civilian supremacy and the need to have the principle fully recognized in Nepal. He noted that he had had the support of all five coalition parties before seeking clarification from the Army Chief on three issues and could still not understand why four of the parties had changed their minds. He called the President,s action in reinstating Katawal a &surprise8 and &sad, unfortunate8.

¶4. (C) Referring to a January 2008 tape which has aired on Nepali television and the internet in which he is addressing PLA forces, he said his remarks on the actual number of fighters, the objective of taking over the Nepal Army and a plan to skim payments meant for PLA combatants had been taken out of context. He defended the speech as one to convince skeptical cadre of the need to pursue democratic elections. He announced he would address these issues in a press conference (septel).

¶5. (C) Dahal said that he hoped his resignation would lead to formation of a national unity government, but then listed a series of conditions which will make it difficult to achieve, including Maoist leadership as the largest party and reversal of the President,s actions concerning General Katawal. He indicated the party had taken no decision on what to do if another party insisted on leading a new government. He rejected calls by several of the participants not to hold urgent governance and peace issues hostage to resolution of issues surrounding the President,s actions.

¶6. (C) The PM said orders issued by local Maoist leaders in several locales directing other parties to close their offices and leave were not party policy. He was urged by Ambassador Powell to include a clear public message to that effect. (Note: He answered a press conference question, but had not included it in his prepared remarks.)

¶7. (C) With the exception of the Danish Ambassador (who had met Khanal earlier in the day), the same group met UML leader Jhalanath Khanal, who shared Dahal,s view that the resignation had created a new situation in Nepal. He said it could turn out to be a crisis or an opportunity depending on how the Nepalis handled it. He said all parties recognize the need for a government of national unity, which includes at least the four major parties, but that the means to achieve that goal were not clear. In an effort to start consensus building, he invited the PM to his home early May ¶6. He described the PM as &very angry8, &very unstable8, and &very unfriendly toward the UML8 at the beginning of the session, but calmer and more reasonable by the end. Dahal moved from saying he looked forward to being in the opposition where they could agitate on issues to agreement on the need to achieve consensus on the way forward. They had discussed the Maoist decisions to create street disturbances and the local orders against other parties. Dahal said the latter were not sanctioned and would be stopped.

¶8. (C) Khanal described the Maoists as very upset by the President,s actions and noted that the UML had reservations, adding that the &President had traveled the extra mile8. He recommended to the PM that they allow the court to decide whether the President acted constitutionally, but admitted that he had not convinced Dahal. He said this issue appeared to be the most serious one for the Maoists and one that would require considerable work to achieve common ground.

¶9. (C) The UML is ready to assume leadership of a national unity government, but would not insist on it and did not think in the end, that the Maoists would insist on leading if other issues could be worked out. UML is talking to the NC and to the Madheshi Forum. Khanal believes the Maoists are encouraging the two largest Madheshi parties to unite and to support the Maoists which would give them a majority in the assembly and the right to form the government. He was not optimistic that a new government could be formed by anyone quickly.

¶10. (C) Comment: The PM,s attempt at spin control was

much better than his session with the diplomatic community ten days ago, but still leaves much skepticism among the more thoughtful members. His conditions for joining a national unity government will at best considerably slow the process and run the risk of completely tanking it. Khanal noted that Dahal has shown himself to be flexible and that will most certainly be required if the Maoists are to be part of the government. There was no threat to leave the current assembly or abandon the peace process, which were hopeful signs, but the decisions to prevent the assembly from meeting and to maintain constant pressure through small demonstrations show little desire to move the process forward.

POWELL